

ITEM 3

STAFF REPORT FINAL REPORT REGARDING IMPLEMENTATION OF THE STATE AUDITOR'S RECOMMENDATIONS ON SCHOOL BUS SAFETY II AUDIT

The Commission on State Mandates (Commission) is required to report to the Bureau of State Audits (BSA) on its efforts to implement the BSA's Audit Report recommendations on the School Bus Safety II program. The Audit Report requires the Commission to report within sixty days, six months, and one year of release of the Audit Report. Attached for your information is our one-year report.

The one-year report provides an overview of implementation of the Audit recommendations reported in the sixty-day and six-month reports, and the Audit recommendations completed since the six-month report. Following are the recommendations from the Audit Report and what tasks were completed to implement those recommendations:

Recommendation 1. *To ensure that the State's interests are fully represented in the future, the Commission should ensure that all relevant state departments and legislative fiscal committees are provided with the opportunity to provide input on test claims and parameters and guidelines, and it should follow up with entities that have indicated they would comment, but did not. Additionally, the Commission should notify all relevant parties, including legislative fiscal committees, of the decisions made at critical points in the process, such as the test claim statement of decision, the adoption of parameters and guidelines, and the adoption of the statewide cost estimate.*

The following actions were taken to implement Recommendation 1:

- Annually train legislative fiscal staff, affected state agency staff, claimants, and interested parties on the mandates process.
- Amended mailing list procedures, including routine review of mailing lists to ensure that all relevant parties are being notified as claims proceed through the process.
- In addition to the letter initially inviting state agency participation, send a letter notifying all parties of the tentative hearing dates for each test claim.

- Modified an internal reporting system that updates management on the progress of the claims. Implemented a process that requires staff to review test claim mailing lists twice before the analysis is finalized to determine if any affected state agencies were omitted from the mailing lists, and to invite any additional state agencies to participate in the process.
- Provide electronic copies of the monthly notices and agendas of Commission hearings to legislative fiscal and policy committee staff.
- Provide electronic notice of release of analyses of test claims, proposed parameters and guidelines and statewide cost estimates; and proposed statements of decision to fiscal and policy committee staff, and direct them to our website to view the analyses and proposed decisions.
- Contact state agencies, claimants and other relevant parties when comments are due, but not received.

Recommendation 2. *The Commission should ensure that it carries out its process for deciding test claims, approving parameters and guidelines, and developing the statewide cost estimate for mandates in as timely a manner as possible. If the Commission believes it necessary to use actual claims data when developing the statewide cost estimate, it should consider seeking regulatory changes to the timeline to include the time necessary to obtain the data from the Controller.*

The following actions were taken to implement Recommendation 2:

- Propose statewide cost estimates for adoption approximately one month after the initial reimbursement claims data is received from the State Controller's Office.
- Revised process to provide that if claimant rebuttals are not submitted timely, the record on the claim is closed and the staff analysis may commence. If claimants choose to rebut state agency positions at a later time, they may provide rebuttal comments to the draft staff analysis.
- Initiated a rulemaking package to amend the Commission's regulations to incorporate the current process for developing statewide cost estimates.
- Continue to review existing Commission processes and resources for ways to reduce the time it takes to complete a test claim.

Recommendation 3. *The Commission should work with the Controller, other affected state agencies, and interested parties to make sure that the language in the guidelines and the claiming instructions reflects the Commission's intentions as well as the Controller's expectations regarding supporting documentation.*

The following actions were taken to implement Recommendation 3:

- Provide all parties with more time to review proposed parameters and guidelines to assist in adopting parameters and guidelines that accurately reflect the implementing statutes and statements of decision.
- Adopted the State Controller's proposed language, as modified by Commission staff, that requires claimants to maintain documentation developed at or near the time the actual costs were incurred in order to support their reimbursement claims. The Commission intends to address this language in all future parameters and guidelines, and in existing parameters and guidelines as they are amended.

Finally, staff reviewed the Bureau of State Audit's Report on Implementation of State Auditor's Recommendations. The report notes that the Commission has partially complied with the Audit recommendations. However, the report noted that the Commission continued to work on revising the documentation language in the parameters and guideline, and including the statewide cost estimate process in our regulations. Since release of this report, the Commission has adopted the parameters and guidelines language regarding documentation and initiated rulemaking to include the statewide cost estimate process in our regulations.

Staff reports that this completes the implementation of the Audit Report Recommendations for School Bus Safety II.

March 28, 2003

Ms. Elaine M. Howle
State Auditor
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Re: Bureau of State Audit's Report on the
School Bus Safety II Program
One-Year Report on Implementation

Dear Ms. Howle:

The Audit Report on the School Bus Safety II program issued on March 28, 2002, requires the Commission on State Mandates (Commission) to report on its efforts to implement the report recommendations within sixty days, six months, and one year of release of the Audit Report. This is our one-year report.

Sixty-Day Report

During the sixty days after the Audit Report's release, the Commission's Executive Director met with numerous staff from the Legislative Analyst's Office, legislative fiscal committees, and staff with the Department of Finance, Department of Education, and the State Controller's Office. The purpose of these meetings was to develop a common understanding of the Audit Report recommendations, and to solicit suggestions on how to implement the recommendations.

Commission staff verified that the Department of Education is included on the mailing lists for all education claims, and that the appropriate local agency contacts are on the mailing lists for local government claims. We also added legislative fiscal committee staff to the mailing list for the Commission's agendas to ensure that they receive notice of all upcoming Commission hearings and the agendas for those hearings. Commission staff, together with the Legislative Analyst's Office, also conducted the second annual legislative staff-training program for fiscal committee consultants on the mandates process.

Six-Month Report

Since the sixty-day report was submitted, the Commission established several new procedures to implement the Report recommendations, which are summarized below:
Report Recommendation 1

Staff implemented the following new procedures to increase the opportunity for state agencies and legislative staff to participate in the mandates process; follow-up with entities that are late commenting on claims; and notify relevant parties of proposed statements of decision, parameters and guidelines and statewide cost estimates:

- In addition to the letter initially inviting state agency participation, a letter is sent notifying all parties of the tentative hearing dates for each test claim.
- An internal reporting system that updates management on the progress of the claims was implemented that, among other things, requires staff to review test claim mailing lists twice before the analysis is finalized to determine if any affected state agencies were omitted from the mailing lists, and to invite any additional state agencies to participate in the process.
- Electronic copies of the monthly notices and agendas of Commission hearings are provided to legislative fiscal and policy committee staff.
- Notice of release of analyses of test claims, proposed parameters and guidelines and statewide cost estimates, and proposed statements of decision are emailed to fiscal and policy committee staff. The notice also directs them to our website to view the analyses and proposed decisions.
- State agencies, claimants and other relevant parties are contacted when comments are due, but not received.

Report Recommendation 2

The Commission continues to look for ways to streamline the mandates process and complete determination on claims in a timely manner. Staff implemented the following new procedures to ensure that the Commission carries out its process in as timely a manner as possible.

- Statewide cost estimates are proposed for adoption approximately one month after the initial reimbursement claims data is received from the State Controller's Office.
- If claimant rebuttals are not submitted timely, the record on the claim is closed and the staff analysis may commence. If claimants choose to rebut state agency positions at a later time, they may provide rebuttal comments to the draft staff analysis.

Report Recommendation 3

Commission staff is providing all parties with more time to review proposed parameters and guidelines. This step will assist in adopting parameters and guidelines that accurately reflect the implementing statutes and statements of decision.

On June 10, 2002, the State Controller's Office proposed amendments to the documentation language for parameters and guidelines to clarify the documentation necessary to support reimbursement claims. Comments were received from numerous local agencies and school districts, prehearings were conducted, and staff proposed modifications to the language. This action meets the Audit recommendation that the Commission work with the State Controller's Office and parties to amend existing parameters and guidelines and adopt new parameters and guidelines that reflect the Commission's intentions and the Controller's expectations regarding supporting documentation.

One-Year Report

Since the six-month report was submitted, Commission staff continued to analyze and make modifications to the State Controller's language regarding supporting documentation. We also reviewed your February 28, 2003 report on Implementation of State Auditor's Recommendations. You reported that while we had partially complied with the Audit recommendations, we continued to work on revising documentation language in the parameters and guidelines and including the process for developing statewide cost estimates in our regulations.

On January 23, 2003, the Commission adopted the State Controller's proposed language, as modified by Commission staff, that requires claimants to maintain documentation developed at or near the time the actual costs were incurred in order to support their reimbursement claims. The Commission intends to address this language in all future parameters and guidelines, and in existing parameters and guidelines as they are amended.

The Commission also initiated a rulemaking package on February 27, 2003 to incorporate the current methodology for developing statewide cost estimates into the Commission's regulations. For purposes of calculating when a statewide cost estimate must be adopted by the Commission, the time from when the parameters and guidelines are effective until the date the statewide cost estimate is adopted is tolled. This allows the statewide cost estimate to be based on the initial reimbursement claims filed with the

State Controller's Office, which are filed within 120 days of when the SCO issues its claiming instructions for the program. The proposed revisions also provide that in the event a different methodology is identified, staff is authorized to use it to develop the statewide cost estimate.

Attached is a work plan that shows completion of implementation of the Audit recommendations, including person(s) responsible for implementation.

Overall, participation by the Legislature and state agencies in the mandates process has increased. For example, the Commission and the Legislative Analyst's Office held the third annual mandate training earlier this year. Attendance from legislative staff at these training sessions continues to increase. In addition, revising the parameters and guidelines to require more specific documentation will ensure that costs to implement mandated programs will be more accurately claimed. Thank you for the opportunity to work with your office during this process.

Please call Nancy Patton at (916) 323-8217 with questions.

Sincerely,

PAULA HIGASHI
Executive Director

Enclosure: Work plan

J:nancy/bsa/implementation/finalreporttrans

WORKPLAN

BSA Recommendations and Summary of Tasks	Responsible Person	Status
Recommendation 1. The Commission should 1) ensure that all relevant state departments and legislative fiscal committees are provided with the opportunity to provide input on test claims and parameters and guidelines; 2) follow up with entities that have indicated they would comment, but did not; 3) notify all relevant parties, including legislative fiscal committees, of the decisions made at critical points in the process, such as the test claim statement of decision, the adoption of parameters and guidelines, and the adoption of the statewide cost estimate.		
Summary of Tasks: 1) Implement a process to provide analyses of test claims, <i>proposed</i> parameters and guidelines and statewide cost estimates to legislative fiscal and policy committees for review and comment.	Paula Higashi Shirley Opie	Complete
2) Implement a process to notify legislative fiscal and policy committees of proposed Commission decisions (test claim statements of decision, adoption of parameters and guidelines and adoption of statewide cost estimates).	Paula Higashi Shirley Opie	Complete
3) Add legislative fiscal committees to Commission hearing notice and agenda mailing list.	Shirley Opie	Complete
4) Conduct training on the mandate reimbursement process.	Paula Higashi Paul Starkey	Ongoing
5) Establish an internal process to: a) Routinely review Commission mailing lists when comments are requested from legislative committees and state agencies and when Commission decisions are disseminated to ensure that all relevant parties are being notified. b) Follow up with agencies and committees that have indicated they will comment and have not responded by the due dates established by the Commission.	Shirley Opie Paul Starkey	Complete

BSA Recommendations and Summary of Tasks (continued)		
Recommendation 2. The Commission should 1) ensure that it carries out its process for deciding test claims, approving parameters and guidelines, and developing the statewide cost estimate for mandates in as timely a manner as possible; and 2) if the Commission believes it necessary to use actual claims data when developing the statewide cost estimate, it should consider seeking regulatory changes to the timeline to include the time necessary to obtain the data from the Controller.		
Summary of Tasks: 1) Review existing Commission processes and resources for completing test claims to look for ways to reduce the time it takes to complete a test claim. Following review, take responsive steps, including initiating rulemaking as appropriate.	Paula Higashi Shirley Opie	Ongoing
2) Evaluate Commission methodology for developing statewide cost estimates and initiate rulemaking to reflect the process.	Paula Higashi Shirley Opie Paul Starkey	Complete
Recommendation 3. The Commission should work with the Controller, other affected state agencies, and interested parties to make sure that the language in the guidelines and the claiming instructions reflects the Commission's intentions as well as the Controller's expectations regarding supporting documentation.		
Summary of Tasks: 1) Work with claimants, affected state agencies and interested parties to develop changes to parameters and guidelines to clarify supporting documentation requirements.	Paula Higashi Shirley Opie Paul Starkey	Ongoing
2) Beginning with 1/23/03 Commission hearing, incorporate new language in parameters and guidelines submitted to Commission.	Paula Higashi Shirley Opie Paul Starkey	Ongoing
3) Review draft claiming instructions for consistency with parameters and guidelines.	Shirley Opie	Ongoing